



COWRY RESEARCH ANALYSTS' FLASHNOTE:

Nigeria Returns to the FTSE Frontier Index



Cowry Research

Nigeria's Return to FTSE Frontier Index Signals Upbeat Market Confidence....

The recent FTSE Russell March 2026 Interim Review, which confirms Nigeria's reclassification from Unclassified to Frontier Market status effective September 21, 2026, has stirred a renewed sense of optimism among market participants. For many, this move is more than just a technical upgrade. It signals that conditions within Nigeria's capital market particularly around foreign exchange access and investor entry and exit are gradually improving.

In simple terms, it suggests that global investors who once stepped back are now being given reasons to take another look. Nigeria's return to the FTSE Frontier Markets Index marks a significant milestone for the country's capital market, reflecting improved foreign exchange liquidity, enhanced market accessibility, and renewed investor confidence.

The reclassification signals that recent policy reforms and structural adjustments are beginning to address concerns that previously led to Nigeria's exclusion, particularly around currency repatriation and transparency.

This development is expected to drive increased foreign portfolio inflows, elevate market visibility, and support valuation recovery across listed equities, positioning Nigeria once again as a viable destination within the global frontier market universe.



NIGERIA CAPITAL MARKET KEY METRICS AT A GLANCE

Reclassification Date

Sep 21, 2026

2026 Frontier Market

NGX Market Cap (Apr 2026)

N130T

▲ 94.3% YoY from N66.3T

NGX ASI Return – FY 2025

+51.2%

Best annual return in NGX history

NGX ASI Return – Q1 2026

+29.4%

ASI crossed 201, 287 pts

NGX Annual Turnover (2025)

N11.23T

▲ 101% from N5.59T (2024)

Foreign Portfolio Inv. (2025)

\$19.7B

▲ from \$8.3B in 2024

Duration in Unclassified Status

~ 3 yrs

Sept 2023 → Sept 2026

Watchlist Duration

~ 12 months

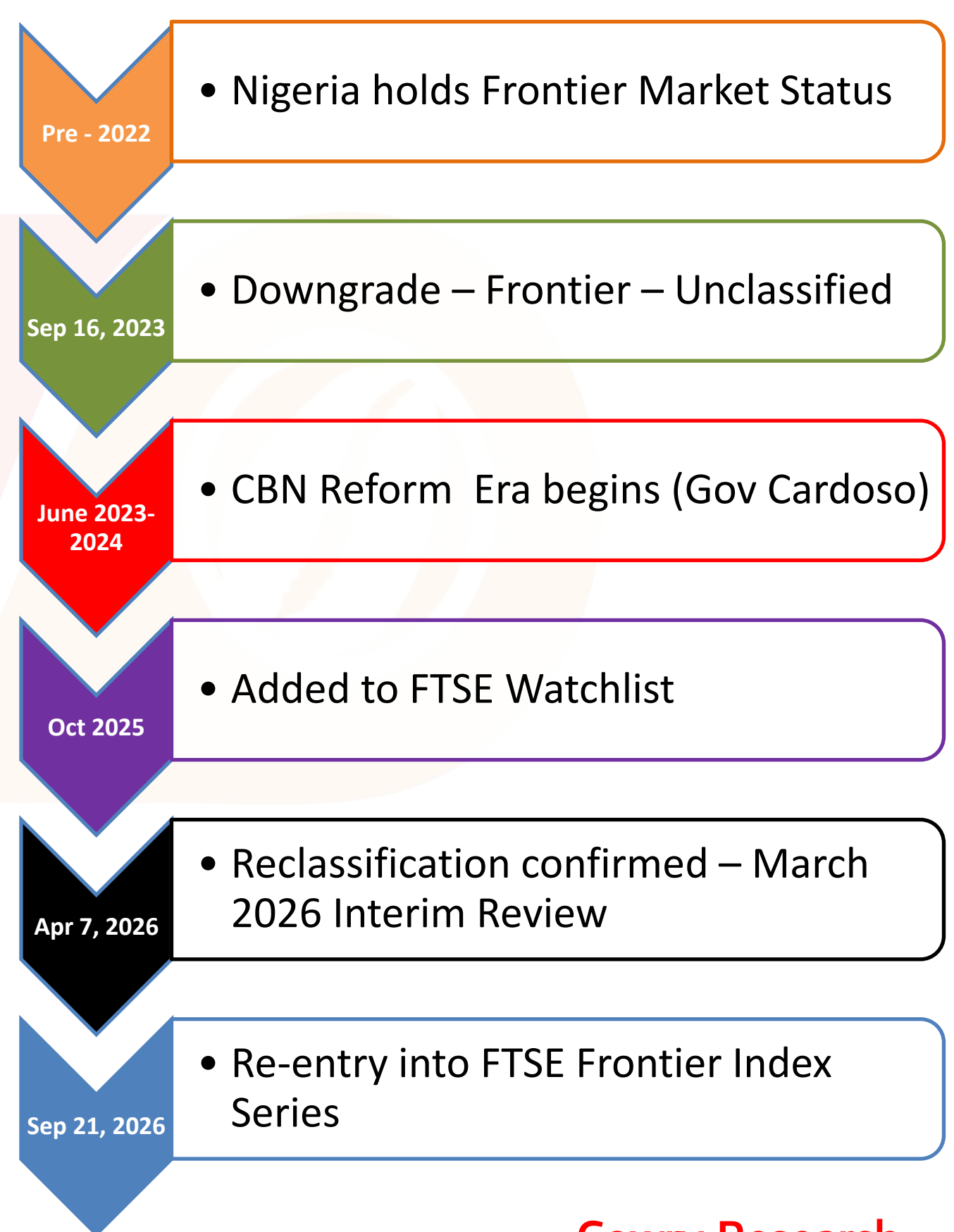
Oct 2025 → Sep 2026



FTSE GLOBAL EQUITY CLASSIFICATION HIERACHY



NIGERIA'S FTSE CLASSIFICATION TIMELINE





Nigeria Returns to the FTSE Frontier Index – The Timeline

WHO MADE THE DECISION?

FTSE Russell's Index Governance Board, on recommendation from the FTSE Equity Country Classification Advisory Committee and FTSE Russell Policy Advisory Board. Communicated to NGX Group CEO Temi Popoola on April 7, 2026.

FTSE Russell is wholly owned by LSEG (London Stock Exchange Group).

WHAT WAS DECIDED?

Nigeria reclassified from “Unclassified” (Standalone) to “Frontier Market” within the FTSE Equity Country Classification scheme. Nigeria re-enters the FTSE Frontier Index Series after a 3-year absence, restoring it to global passive benchmark inclusion and institutional investor visibility.

WHERE DOES THIS APPLY?

Nigerian Exchange Limited (NGX), Lagos. Eligible NGX-Listed equities meeting FTSE Global Cap Index screens – primarily MTN Nigeria (MTNN), Dangote Cement, GTCO, Zenith Bank, and Airtel Africa.

Also affects the broader perception of Nigeria as an investment destination.

WHEN DOES IT TAKE EFFECT?

Confirmed April 7, 2026 (March 2026 Interim Review publication). Effective from the open on Monday, September 21, 2026 – coinciding with the FTSE Frontier annual review and FTSE Global Equity Index Series September 2026 semi-annual review.

WHY NOW? WHY THIS UPGRADE?

Nigeria eliminated the FX repatriation restrictions that caused the 2023 downgrade. CBN Governor Cardoso's naira unification and backlog clearance restored all five FTSE Quality of Markets criteria.

FX queues fully cleared by early 2025; confirmed independently by international market participants in FTSE's advisory process.

HOW WAS THIS ACHIEVED?

Via: (1) Naira exchange unification June 2024; (2) \$2.75B+ FX backlog clearance; (3) EFEMS launch November 2024; (4) Nigeria FX Cde January 2025; (5) IOC export proceeds repatriation rules; (6) Nigeria's removal from FATF grey list.

Watch List October 2025 → confirmed April 2026.



THE 5 FTSE QUALITY OF MARKETS CRITERIA - NIGERIA'S PASS STATUS

Formal Stock Market Regulatory Authority

SEC Nigeria provides formal oversight of the NGX. The Investment & securities Act (ISA) 2025 strengthened the regulatory framework. DG Emomotimi Agama leads ongoing capital market reform.

Settlement – Delivery vs. Payment (DvP)

NGX operates T+2 DvP settlement through the Central Securities clearing System (CSCS). Simultaneous cash and securities settlement protects investors from counterparty default risk.

No Significant Foreign Ownership Restrictions

No sector-wide ownership restrictions on NGX-listed equities. Free float and foreign ownership limits tracked per FTSE investability weighting methodology. CBN lifted all blanket capital controls under the reform programme.

Foreign Capital Repatriation – No Material Delays

The primary criterion for the 2023 downgrade – now resolved. CBN cleared accumulated FX backlog (\$2.75B+ in 2025). EFEMS provides real-time FX matching. International investors confirmed no material exit delays by early 2025.

Adequate Transaction Infrastructure

CSCS serves as Nigeria's Central Securities Depository. International custodians (Standard Chartered, Citibank, Stanbic IBTC) operate actively on the NGX. Technology investments by NGX improved transparency, efficiency, and access



EXPECTED IMPACT ON NIGERIA'S CAPITAL MARKET

PASSIVE CAPITAL INFLOWS

- **Mandatory ETF rebalancing:** Global tracker funds and ETFs benchmarked to the FTSE Frontier Index are mandated to allocate capital into eligible NGX stocks from September 21, 2026. This creates non-discretionary buying demand regardless of individual fund manager views on Nigeria.
- **FPI already accelerating:** Foreign Portfolio Investment rose from \$8.3B (2024) to \$19.7B (2025). Of this, approximately \$1B flowed into equities. With formal frontier status, equity-specific passive flows are expected to multiply significantly post-September 2026.

POLICY & STRUCTURAL SIGNAL

- **External seal of approval:** Frontier status formally endorses CBN Governor Cardoso's FX reforms. Combined with Nigeria's removal from the FATF grey list, this forms a dual credibility boost that reduces the country risk premium embedded in all Nigerian asset classes.
- **Pathway to Emerging Market:** Frontier is a restoration, not a destination. Secondary Emerging market status requires % qualifying large-cap securities, higher market cap thresholds, and deeper liquidity. The Dangote Refinery IPO on NGX, if it proceeds, would be transformative for this upgrade path.

LIQUIDITY & PRICE DISCOVERY

- **Higher trading volumes:** Frontier status restores visibility to global frontier-market fund managers who were obliged to exit in 2023. Increased foreign participation will improve price discovery and narrow bid-ask spreads on NGX large-cap stocks
- **Market re-rating potential:** With domestic investors still accounting for over 90% of NGX transactions, addition of foreign passive demand creates a dual-driver rally. Foreign institutional validation typically triggers domestic re-rating of benchmark stocks

**CONTACT US****HEAD OFFICE**

Plot 1319, Karimu Kotun Street,
Victoria Island
Lagos
Website: www.cowryasset.com
Email: research@cowryasset.com

ABUJA OFFICE

Statement Suites Hotel D03 (3rd Floor), Plot 1002,
1st Avenue, Off Ahmadu Bello Way
Central Business District,
Abuja
Website: www.cowryasset.com
Email: research@cowryasset.com

PORT HARCOURT OFFICE

UPDC Complex, 26 Aba Road,
Port-Harcourt
River State
Website: www.cowryasset.com
Email: research@cowryasset.com

RESEARCH TEAM**CHARLES ABUEDE**

Cabuede@cowryasset.com

TAIWO LUPO

Tlupo@cowryasset.com

TOMIWA JIMOH

Tjimoh@cowryasset.com

www.cowryasset.com

www.twitter.com/cowryassetmgt

www.facebook.com/cowryasset

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